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August 9, 2005

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

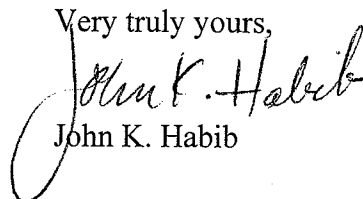
Re: NSTAR Gas Company, D.T.E. 05-47  
Request for Approval of Firm Transportation Agreement

Dear Secretary Cottrell:

On behalf of NSTAR Gas Company (the "Company"), please find attached the Company's responses to the Department of Telecommunications and Energy's (the "Department") Second Set of Information Requests in the above-referenced proceeding set forth on the accompanying page. Please note that some of the responses and attachments include competitively sensitive and proprietary information. Accordingly, the Company will file unredacted copies of these responses with the Hearing Officer only. The Company will file a Motion for Protective Treatment for these responses and any further responses containing proprietary information as soon as the Company completes its responses to each of the Department's information requests.

Please contact me or Cheryl Kimball if you have any questions regarding the filing. Thank you for your consideration and assistance in this matter.

Very truly yours,



John K. Habib

Enclosures

cc: Carol M. Pieper, Hearing Officer  
Andreas Thanos, Assistant Director, Gas Division  
Ken Dell Orto, Gas Division  
Timothy Cargill, Gas Division  
Service List

**RESPONSES ATTACHED**

DTE-2-1

DTE-2-6

DTE-2-9 {REDACTED}

DTE-2-10 {REDACTED}

DTE-2-11

Information Request DTE-2-1

Please explain whether or not the acquisition of Dartmouth Power Associates Limited Partnership's (Dartmouth Power") capacity is consistent with the portfolio objectives set forth in the Company's current Long-Range Forecast and Resource Plan approved by the Department in D.T.E. 02-12.

Response

NSTAR's acquisition of the capacity currently held by Dartmouth Power Associates Limited Partnership's (Dartmouth Power") capacity is consistent with the portfolio objectives set forth in the Long-Range Forecast and Resource Plan approved by the Department in D.T.E. 02-12, as well as the portfolio objectives in the Supply Plan currently pending before the Department in D.T.E. 05-46.

As an initial matter, it should be noted that the resource and requirements plan approved by the Department in D.T.E. 02-12 covered the five-year forecast period 2001-02 through 2005-06. The resource and requirements plan currently pending before the Department covers the five-year forecast period 2005-06 through 2009-10. The Permanent Assignment Agreement pending before the Department in this proceeding commences August 1, 2006. Therefore, if approved, the Agreement would be effective for the 2006/2007 heating season and beyond, which is not a period included in the resource and requirements plan approved in D.T.E. 02-12.

However, as part of the plan approved in D.T.E. 02-12, the Company demonstrated a need for "citygate supplies" totaling 397 BBtu in a design winter beginning in the 2005/06 split year (Table G-22D, D.T.E. 02-12, referring to "unserved need"). Citygate supplies are supplies that the Company relies on to meet seasonal requirements over the winter period, but that are not under firm contract with the Company. Based on prevailing market conditions, the Company is comfortable with relying on no more than 500 BBtu of citygate supplies to meet firm sendout requirements. Thus, in the Company's prior filing, the Company did not identify a need to procure firm seasonal resources because citygate resources were available to fill the gap between firm requirements and available portfolio resources (i.e., 397 BBtu).

The Company's current forecast for the 2005-06 split year reflects updated data for system growth occurring since the last filing and, as a result, shows considerably greater resource requirements for the 2005-06 winter season. In the

current filing (D.T.E. 05-46), Table G-22D shows that 1,687 BBtu are required to meet design winter conditions in 2005-06, escalating to 3,088 BBtu for the winter season 2009-10. Given the identified level of citygate supplies necessary to meet design season requirements, the Company needs to procure a firm resource to ensure the reliability of the resource portfolio. The Permanent Release Agreement is an important step in the Company's effort to meet the growing needs identified in the current resource and requirements plan.

Information Request DTE-2-6

Please submit a copy of the RFP issued by the Company in January 2005 and referenced on page 12 of Max Gowen's testimony. In addition, provide copies of the original and revised responses to RFP received by the Company.

Response

**CONFIDENTIAL ATTACHMENTS**

Please find attached the following documents;

- Attachment DTE-2-6 (Copy of RFP)
- Attachment DTE-2-6(a) (Bidder 1 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(b) (Bidder 2 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(c) (Bidder 3 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(d) (Bidder 4 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(e) (Bidder 5 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(f) (Bidder 6 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(g) (Bidder 7 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(h) (Bidder 8 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(i) (Bidder 9 Response) **CONFIDENTIAL**
- Attachment DTE-2-6(j) (Bidder 10 Response) **CONFIDENTIAL**

Please note that the Company deemed Bidder 1's response to be nonconforming with the Company's parameters for an acceptable bid. Accordingly, the Company analyzed the remaining nine bids (Bid 2 through Bid 10) to determine if any met the Company's needs. As described in Mr. Gowen's testimony at page 13, none of the responses to the RFP process provided the Company with a clear cut

approach to resolving the identified need for incremental delivery capability on the Algonquin system.

Because several of these documents contain specific competitively sensitive bid-related information that is proprietary and confidential, copies of these documents are being filed only with the Hearing Officer, under seal. A Motion for Protective Treatment with respect to these documents and an affidavit in support thereof will be filed within the next two business days. Accordingly, NSTAR Gas requests that the Department protect the documents from public disclosure, pursuant to the terms of the forthcoming Motion for Protective Treatment.

**NSTAR GAS COMPANY**  
**REQUEST FOR PROPOSALS (RFP)**  
**FOR THE PURCHASE OF**  
**FIRM NATURAL GAS SUPPLIES ON THE ALGONQUIN GAS**  
**TRANSMISSION SYSTEM**

NSTAR GAS COMPANY (NSTAR Gas, or the Company), is a local gas distribution company (LDC) which provides service to approximately 250,000 natural gas customers in four geographic areas in Massachusetts: Worcester, Framingham, Cambridge and New Bedford. NSTAR Gas (formerly Commonwealth Gas) is the gas distribution subsidiary of NSTAR, which was created in the 1999 merger of Boston Edison and Commonwealth Energy System. Additional information (including financial statements) about NSTAR may be obtained through the website [www.nstaronline.com](http://www.nstaronline.com).

NSTAR Gas' total system throughput in 2004 was approximately 59 Bcf, of which approximately 40 Bcf, or 68%, was supplied by NSTAR Gas (primarily residential, small commercial and small industrial sales customers). NSTAR Gas is subject to regulation by the Massachusetts Department of Telecommunications and Energy (DTE). The Company has a DTE approved mandatory capacity assignment program to facilitate retail choice for its customers. **Respondents are cautioned to carefully read this RFP and ask whatever questions are necessary to complete their understanding of any and all risks prior to submitting responses.**

**A. OBJECTIVE OF RFP**

The primary objective of this RFP is to obtain proposals for incremental supplies of natural gas to be ultimately delivered to several existing NSTAR Algonquin take stations beginning on November 1, 2005. NSTAR plans to select the supplies that best meet its customers' requirements for reliable, low cost service and then enter into appropriate contracts.

NSTAR needs not only additional supplies, but may also need additional Algonquin capacity, depending on where the supplies are available. The NSTAR decision relative to Algonquin capacity will be made in the context of what supplies are selected as a result of this RFP. If suppliers can deliver directly to the specific stations, it may eliminate or reduce the need for Algonquin capacity. Suppliers have the option of offering firm supplies on the Algonquin system at places other than the identified NSTAR stations. NSTAR will evaluate each supply with respect to the total cost and reliability of delivering it to the stations where the gas is needed.

If the acquisition of some additional Algonquin capacity by NSTAR is determined to be in

the long-term interest of NSTAR's firm customers, it is likely that some additional time may be required to go through the regulatory review process and construct new pipeline capacity. If this is the case, interim supplies may be required as a "bridge" service until the new capacity is available.

Bidders are encouraged to offer a variety of different packages and indicate the range of MDQs over time associated with each option. (NSTAR anticipates that some supply options may only be available at a constant quantity over the relevant period of time, while others will be available with a MDQ that matches NSTAR's projected requirements. NSTAR will consider both types of proposals.)

## **B     NSTAR SUPPLY PORTFOLIO AND REGULATORY BACKGROUND**

NSTAR currently has a portfolio manager managing its gas supply portfolio under a one year contract that will run through October 31, 2005. It will send out a separate RFP in June 2005 for a portfolio manager to perform a similar function beginning on November 1, 2005. NSTAR also has a one-year winter seasonal supply contract that provides a quantity of 6,000 dth/day during the 2004-2005 winter season delivered to one of our existing Algonquin gate stations. This RFP will replace and supplement the existing 6,000 dth/day winter supply contract, beginning on November 1, 2005.

Under Massachusetts regulatory requirements, LDCs, such as NSTAR Gas, must obtain approval from the Massachusetts Department of Telecommunications and Energy (DTE) of any contract greater than one year in length. NSTAR anticipates that some contracts resulting from this RFP are likely to exceed one year in length and therefore, will require DTE review and approval.

The DTE has several requirements that apply to LDCs interested in acquiring new supplies and/or capacity. One of them is that LDCs must go through a competitive bidding process and demonstrate to the DTE that the selected supplies are in the best interest of the company's firm customers. Another requirement is that proposed long-term contracts must be consistent with a Company's most recently approved long-range forecast.

NSTAR gas is planning to file a Long Range Load Forecast and Resource Plan for the five year period beginning November 1, 2005 with the DTE on or about May 31, 2005. The final load forecast for use in the Long Range Forecast and Resource Plan has not yet been developed. However, a preliminary analysis based on the Company's most recent forecast indicates a clear need for additional supplies. The requirements shown in Table 1 in Section D of this RFP are based on this preliminary analysis. The ultimate decision to acquire new supplies will be based on the actual filed forecast, but the preliminary requirements identified below are likely to be similar to the final forecast.

This RFP is part of the overall process that NSTAR will follow to acquire needed



incremental supplies to benefit its firm customers in a manner consistent with DTE requirements.

Selected parties are expected to execute a term sheet confirming the agreed terms (including pricing) with NSTAR Gas as soon as practicable after selection. NSTAR would expect to negotiate an appropriate contract with the supplier as soon as practical thereafter.

C     SYSTEM DESCRIPTION

Gas is delivered to the NSTAR Gas distribution system through two pipelines: Algonquin Gas Transmission Company (AGT) and Tennessee Gas Pipeline Company (TGP). The incremental supplies sought under this RFP would need to be delivered on the Algonquin system.

NSTAR Gas has approximately 92,000 dth/day of flowing supplies from Texas Eastern available during the winter season on its Algonquin system (excluding capacity assigned to marketers to serve capacity eligible transportation customers). In addition, NSTAR has about 50,600 dth/day of firm storage deliverability on the Algonquin system, backed with approximately 88 days of total storage capacity (once again, excluding capacity assigned to marketers to serve capacity eligible transportation customers).

Of the total of 142,600 dth/day of Algonquin firm capacity, 50,300 dth/day is allocated to Cambridge Division stations, 48,500 dth/day is allocated to Framingham Division stations, and 43,800 dth/day is allocated to New Bedford Division stations. Algonquin provides some delivery point flexibility under the NSTAR contracts, but under peak types of conditions, it can restrict deliveries to primary firm delivery points.

On its Tennessee served system, NSTAR has about 57,900 dth/day of flowing longhaul capacity, and about 27,500 dth/day of firm storage deliverability, backed up with over 120 days of total storage capacity. The Tennessee pipeline system serves the Company's Worcester Division. The Company's Hopkinton and Acushnet LNG facilities are used to meet customers' requirements when loads exceed the firm pipeline supply and storage MDQs.

Within the five-year forecast timeframe, NSTAR anticipates requiring additional design day capacity in its Algonquin served territory. In addition, under design winter conditions, NSTAR Gas does not have enough winter seasonal supplies (storage capacity and on-system LNG storage capacity) to meet its existing firm sales customers' requirements on its Algonquin supplied system.

D.     SUPPLY REQUIREMENTS

NSTAR Gas's policy is to contract for an appropriate amount of supplies and capacity to

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

meet the requirements of its firm sales and capacity eligible customers under design day and design winter conditions. Each year, NSTAR plans to have enough design day supplies and capacity under contract to meet projected requirements. However, it does not necessarily plan to have full design winter supply quantities available under firm contracts at the beginning of each winter season. Under current market conditions, because of the flexibility associated with the Company's LNG facilities, NSTAR is comfortable with having to buy some supplemental city gate deliveries during the latter part of a design winter to displace and preserve LNG inventories. Gas can be purchased on moderately cold days, as needed, at less than peak day prices to displace LNG that would otherwise be required. This allows the Company to avoid committing to purchase expensive full design winter supplies that are not necessary under less than design conditions.

Table 1 below provides a breakdown of the MDQ required and the seasonal quantities desired for the five year forecast period. It should be noted that the MDQ must be available on a reliable, firm basis throughout the winter season. (However, if the supply is tied to a storage contract, it would be acceptable to have the MDQ reduced over the course of the season due to standard storage withdrawal ratchets.)

The seasonal quantity can be varied from a 90-day to a 151-day winter seasonal service as a result of the Company's operational flexibility associated with its LNG facilities, depending upon pricing considerations. NSTAR is willing to consider alternative purchase obligations, such as a 90 to a 110 day storage service that can be nominated any day during the winter season; a 151-day winter service with a constant MDQ; a 151-day winter season supply with a full MDQ purchase obligation for the months of December through February, with a reduced daily purchase obligation for November and March; and a 121-day constant MDQ from December through March. Suppliers are encouraged to provide several options with appropriate price alternatives. NSTAR will select the options that provide its firm customers the greatest value. If multiple options are selected, it would be likely that they would provide a different number of days of service.

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

Table 1  
 NSTAR Gas  
 AGT Capacity Expansion

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
MDQ	5,000	10,000	16,000	19,000	22,000
Minimum Seasonal Quantity (90 days)	450,000	900,000	1,440,000	1,710,000	1,980,000
Maximum Seasonal Quantity (151 days)	755,000	1,510,000	2,416,000	2,869,000	3,322,000
MDQ Divisional Split					
Cambridge			2,000	5,000	8,000
Framingham		4,000	7,000	7,000	7,000
New Bedford	5,000	6,000	7,000	7,000	7,000

NSTAR experienced design-like day conditions on January 15, 2004. The Company met its overall requirements within its existing pipeline firm contractual requirements and existing LNG facilities. However, there were individual Algonquin meter stations where the company's takes exceeded NSTAR's specific contractual entitlements. While this is not unexpected because the actual takes include deliveries of end-user transportation gas which is not subject to the Company's contract limitations, there are several stations where NSTAR needs to consider either additional firm city gate purchase deliveries or incremental Algonquin capacity to deliver gas from an alternative Algonquin receipt point.

One such station is the Plymouth station (Algonquin meter # 19). This is located near the end of Algonquin' G-System in the town of Plymouth. The entire portion of the New Bedford Division quantities shown in Table 1 needs to be delivered to the Plymouth station, based on NSTAR's preliminary analysis.

A second station where NSTAR needs to consider incremental delivered purchase quantities or incremental Algonquin capacity is the Needham station (Algonquin meter # 38). This is located in Needham on the Algonquin mainline, just downstream of the I-System tap and just upstream of the Algonquin Needham regulator station. Based on NSTAR's preliminary analysis, the entire portion of the Framingham Division quantities shown in Table 1 needs to be delivered to the Needham station.

The Cambridge Division numbers shown in Table 1 can be delivered to either of the Company's two Cambridge take stations, Cambridge (Algonquin meter # 26) or Brookford

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

Street (Algonquin meter # 28) on Algonquin's J-System.

NSTAR prefers to utilize firm capacity with primary firm receipt points and primary firm delivery points. NSTAR recognizes that this might not be available for all of the quantities and locations specified in Table 1 according to the schedule provided in the Table. NSTAR will carefully consider alternatives and reserves the right to discuss with Algonquin the reliability of a proposed supply.

**E. CONTRACT TERM**

NSTAR prefers to have short-term contracts in order to deal with market uncertainties. However, it understands that if it is necessary to construct incremental firm Algonquin transportation capacity, it would likely be necessary to develop appropriate long-term contracts. Some suppliers may have existing firm contracts that will be used to provide the proposed service. In order to obtain the best value to serve its firm customers, NSTAR will consider the term of the contract(s) to be negotiable, based on the nature of the obligations contained in the agreements. As mentioned above, any contract greater than one year in length with require the approval of the Massachusetts DTE.

**F. PRICING**

NSTAR Gas operates in an increasingly competitive market, so suppliers are encouraged to present pricing approaches that are responsive to competitive conditions. NSTAR Gas is open to various pricing structures and will consider proposals that present alternative pricing approaches; however, each proposal should clearly indicate the preferred pricing methodology. NSTAR Gas offers the following guidelines in setting pricing methodology:

- Pricing proposals should contain a reasonable, supportable and verifiable mechanism for establishing the price, such as a published index. It also should clearly explain how the pricing mechanism would be implemented.
- Pricing proposals should clearly state the purchase point and whether or not the proposal requires NSTAR to directly pay for any costs associated with any upstream facilities.
- In the event that any potential bidder offers access to existing storage capacity (and related transportation), such proposals will be evaluated based on the cost of injecting NSTAR's existing longhaul Texas Eastern supplies, plus the costs of the proposed storage contract and related transportation. In NSTAR's planning model, the cost of supplies delivered to storage and to the city gates is based on production area market indices, adjusted for the appropriate pipeline variable costs. To insure a fair comparison of all alternatives, consistent market prices will be used for the

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

model evaluations.

**G. FLEXIBILITY**

As noted above, NSTAR has flexibility built into its supply portfolio that allows NSTAR to consider services with different purchase and/or operational flexibility. In addition, NSTAR has been successful in purchasing additional winter season volumes in during colder winters without having to pay premium prices. NSTAR is willing to consider a wide range of supply options, ranging from that of a 90 to 110-day storage service to a 151-day seasonal baseload supply. Bidders should clearly indicate the amount of purchase or nomination flexibility allowed under their offer(s). To the extent that Bidders can offer different packages with different numbers of days of service, they are encouraged to do so. It is quite possible that NSTAR would contract for more than one package, with different levels of service.

**H. REQUIREMENTS**

Each proposal is required to address all of the following:

1. Quantity: The proposal must specify the MDQ applicable for each year of the proposed contract term. Each proposal must also specify the maximum winter seasonal quantity and the minimum winter season obligation for each year of the proposed term, if applicable. If a Bidder offers different seasonal supply quantities for the given MDQ, the specific options need to be identified and priced accordingly.
2. Point(s) of Delivery: The proposal must state the proposed delivery point(s).

If the proposal provides firm city gate deliveries to the Plymouth, Needham, or Cambridge stations, the proposal must describe the basis upon which the Bidder claims the delivery is firm. If the service is based on an existing firm Algonquin transportation contract, the Bidder is expected to identify the upstream Algonquin receipt point(s) and describe in general how the contracts have been used to deliver gas during cold periods in recent winters. To the extent that the contract has been used to deliver gas to alternative delivery points downstream of Algonquin's Burrillville Compressor station, bidders are expected to describe the operation of the contract on those days when Algonquin curtailed secondary deliveries downstream of Burrillville.

If the proposal provides firm transportation to a point downstream of the

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

Burrillville station other than the three locations identified by NSTAR in this RFP, Bidders are encouraged to describe how reliable transportation they anticipate the service would be if delivered to the three NSTAR delivery locations without the construction of incremental Algonquin transportation. NSTAR will ultimately take the responsibility for contracting with Algonquin if it determines incremental capacity is required, based on its discussions with Algonquin, its understanding of the Algonquin system, and the needs of the Company's firm customers.

**[Bidders are advised that an important evaluation criterion is reliability and reliability will be largely based on Bidder's responses to this issue.]**

3. Contract Term See Section E., "Contract Term."
4. Pricing See Section F., "Pricing."
5. Flexibility See Section G., "Flexibility."
6. Financial Reports: Each supplier must provide a copy of the company's most recent audited financial statements and annual report.
7. Supply and Transportation Documentation and Warranties: Each supplier should provide specific information regarding the status and nature of any upstream supply, transportation, and/or storage contracts that may be used to deliver the proposed supplies to designated delivery points. The emphasis should be on explaining why the proposed supply can be relied upon as a firm service. Finally, potential suppliers will be required to indicate their willingness to provide warranties, parent guarantees and letters of credit in support of a contractual commitment.

I. PROCEDURES

Questions regarding this RFP should be directed to:

Max Gowen  
NSTAR Gas Company  
One NSTAR Way, NE 220  
Westwood, MA 02090-9230

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

Telephone: 781-441-3556

Telecopier: 781-441-8167

Email: max\_gowen@nstaronline.com

NSTAR Gas strongly prefers to receive questions regarding this RFP via email. NSTAR Gas also reserves the right to answer such questions in writing and to distribute its responses to such questions to all parties that have received a copy of this RFP.

Responses to this RFP must be made in writing and may be made by mail, enclosed in a sealed envelope, by email or by telecopy. All proposals must be received by **February 14, 2005** at 4:00 p.m. Eastern Time. Any supplier that submits a telecopy or email response to this RFP must also send its response by mail, enclosed in a sealed envelope and postmarked no later than **February 14, 2005**. NSTAR Gas will not accept by mail any proposal from a supplier sent as a follow up to its telefax or email proposal that differs from its telefax or email proposal.

All proposals should be sent to:

Max Gowen  
NSTAR Gas Company  
One NSTAR Way, NE 220  
Westwood, MA 02090-9230

Telecopier: 781-441-8167

Email: max\_gowen@nstaronline.com

NSTAR Gas reserves the right to reject any proposal that is not timely and properly submitted, or is not complete in all respects, or that contains inaccurate or misleading information. The bidder shall be obligated (following the submission of a proposal) to provide further information as the Company may request, and to update any information (including, without limitation, information regarding the bidder's gas, gas transportation and financial resources) such that all information set forth in a bid remains accurate throughout the course of negotiations.

**J. PROPOSED SCHEDULE**

The following is a proposed schedule (subject to change) for NSTAR Gas' current RFP process:

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

Issuance of RFP	January 17, 2005
<b>Proposals Due</b>	<b>February 14, 2004</b>
Review of Proposals	February 15 –25, 2005
First Cut of Suppliers Notified	March 1, 2005
Individual Conferences with First Cut Suppliers	March 2 –9, 2005
Selection of Final Supplier(s)	March 11, 2005
Letter of Intent/Term Sheet Executed	April 1, 2005
Execute Contracts/Precedent Agreements	May 25, 2005

**K. CONFIDENTIALITY**

Potential suppliers may request that specific information contained in or relative to its proposal be treated by NSTAR Gas on a confidential basis. Such request shall be clearly stated on every page of the proposal on which confidential information may appear. NSTAR Gas and its representatives shall take reasonable efforts steps to protect information that is clearly identified as confidential from disclosure to third parties. Potential suppliers shall use their own reasonable efforts to protect information that NSTAR Gas designates as confidential, as well as the communications and documents received from NSTAR Gas during the course of any negotiations.

Potential suppliers should understand that NSTAR Gas may deem it necessary to disclose certain information relating to this RFP and the proposals it receives to the Mass DTE. Upon written request by a potential supplier, NSTAR Gas shall request of the Mass DTE that any information designated as confidential by the potential supplier be afforded protected status by the Mass DTE and thus be given confidential treatment by the Mass DTE in any public forum that may be called to evaluate the contracts.

However, NSTAR Gas cannot guarantee that such information will not be disclosed, and in no event shall NSTAR Gas be liable as a result of any disclosure of confidential information during the period of review and analysis of proposals or during subsequent contract negotiations and regulatory proceedings.

**L. EVALUATION OF PROPOSALS**

NSTAR Gas uses several factors in its consideration of firm gas supply proposals. Table 2 below, shows the factors and relative weights that NSTAR Gas will use in its evaluation of proposals. NSTAR Gas reserves the right to change the factors and their respective weights, and to add or delete factors, at any time. A brief description of the factors follows:



**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

Reliability

NSTAR Gas defines reliability as the ability to deliver the firm gas supply each day of the contract period. NSTAR Gas will assess the supplier's ability to meet the commitment to reliability based on: their description of the underlying supply, transportation, and storage arrangements; discussions with Algonquin regarding system operations; customer references; warranty provisions; and past performance.

Competitiveness

NSTAR Gas operates increasingly in a competitive market, and, therefore, the maximum benefit of the trade-offs between pricing, flexibility, contract term length and reliability will be considered.

Responsiveness

NSTAR Gas will assess how well the proposal meets the requirements of this RFP, including completeness and clarity of the initial response as well as subsequent requests for information.

Financial Strength

NSTAR Gas will review the historical and projected financial resources of the proposed supplier with respect to its ability to act as a potential firm natural gas supplier and its capability of meeting all future commitments. This will include an evaluation of audited financial statements and credit ratings. A supplier's willingness to provide parent guarantees (if performance by a subsidiary is contemplated), letters of credit and other performance assurances will be considered positive indicators of financial strength.

L. FIRM COMMITMENT

NSTAR Gas shall not be considered to have made a commitment to purchase gas from any potential supplier either through the issuance of this RFP or by its negotiations with a potential supplier. NSTAR Gas reserves the right, in its sole discretion and at any time (including without limitation as the Company deems necessary to comply with the actions of regulatory bodies of competent jurisdiction), to withdraw and/or modify this RFP, to reject any and all proposals, and to discontinue negotiations with any and all potential suppliers. NSTAR Gas shall have no commitment to purchase gas unless and until the authorized representatives of the Company and the supplier have executed a definitive agreement and any conditions precedent set forth in that agreement have been satisfied. NSTAR Gas further reserves the

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

right to purchase natural gas supplies from other appropriate sources.

**NSTAR Gas Company**  
**RFP for the Purchase of Firm Natural Gas Supplies**

<b><u>Table 2</u></b>	
<b>WEIGHTED SUPPLIER EVALUATION CRITERIA</b>	
<b>CRITERION</b>	<b>PERCENT</b>
RELIABILITY	35%
COMPETITIVENESS	35%
RESPONSIVENESS	15%
FINANCIAL STRENGTH	15%

Information Request DTE-2-9

Recalculate the analysis presented under Exhibit MAG-5 by increasing the purchase MDQ for Year 1 under both Option 1 and 2 to 14,010 MMBtu/day. Please also update the Nominal and Present Value figures.

Response

**REDACTED RESPONSE**

**[TABLE REDACTED]**

Please note that the purpose of the economic analysis provided by the Company was to demonstrate that the proposed Permanent Release Agreement compares favorably to other reasonably available alternatives. As discussed in the testimony, the only resource actually available to the Company aside from the Dartmouth capacity is an arrangement proposed by Distrigas in response to the RFP process conducted by the Company (and even this arrangement would only cover a portion of the Company's need). The "Waddington" alternative is not available to the Company because there is no firm capacity on the Tennessee pipeline to transport supplies from Waddington to the Company's citygate. The Company offered this analysis for comparison purposes only to show that the Distrigas alternative was not appropriate from a cost perspective.

In that regard, the price offered by Distrigas was a "bundled" price, *i.e.*, capacity and commodity. Therefore, to perform a proper comparison, the Company presented a cost analysis included: (1) the cost of the Dartmouth Power capacity (AFT-2 tariff rate); (2) the cost of commodity that would be purchased for transport over the Dartmouth Power capacity (purchased at Mendon or transported to Mendon from Waddington), and (3) the cost of establishing delivery points at the Plymouth and Pine Hills take stations. The Company then compared this cost to the cost of the citygate service provided by DOMAC in Exhibit MAG-5 **CONFIDENTIAL**. As demonstrated by the table, either Option 1 or Option 2 would be less costly than using the DOMAC option.

The Department should not make any assumptions from the table regarding whether Option 1 or Option 2 are preferable in relation to each other. Although each includes actual Dartmouth Power capacity costs from the Permanent Release Agreement, the supply-related costs included in the table for these options are estimates for purposes of making an "apples-to-apples" comparison with the bundled DOMAC citygate costs. The supply-related costs embedded in the Option 1 and 2 alternatives are fluid because they are estimated based on market prices in effect this past June. The Company has not yet

NSTAR Gas Company  
Department of Telecommunications and Energy  
D.T.E. 05-47  
Information Request: **DTE-2-9**  
August 9, 2005  
Person Responsible: Max A.Gowen  
Page 2 of 2

contracted for supply that would be transported using the Dartmouth capacity and thus, the Company's actual supply costs may differ from those reflected in Options 1 and 2.

Because this document contains specific competitively sensitive bid-related information that is proprietary and confidential, copies of these documents are being filed only with the Hearing Officer, under seal. A Motion for Protective Treatment with respect to these documents and an affidavit in support thereof will be filed within the next two business days. Accordingly, NSTAR Gas requests that the Department protect the documents from public disclosure, pursuant to the terms of the forthcoming Motion for Protective Treatment.

Information Request DTE-2-10

Refer to page 16 of Max Gowen's testimony. Identify the parties the Company invited to provide current estimates for the cost of gas delivered to Mendon for the five-year forecast period. State whether the Company provided copies of these parties' estimates to the Department in the Load Forecast and Resource Plan currently pending in D.T.E. 05-46. Provide copies of such estimates for incorporation into this proceeding.

Response

**REDACTED RESPONSE**

**[PARAGRAPH 1 REDACTED]**

Please note that the Company does not typically provide copies of its short term supply contracts in the context of its Load Forecast and Resource Plan approval filings, unless requested by the Department or another party. The Company routinely enters into 365-day supply contracts during the summer of each year, which are not required to be submitted to the Department for approval because they are for a term of one year or less. The Load Forecast and Resource Plan focuses on the Company's long-term resources and requirements rather than short-term arrangements.

Because this document and related attachments contain specific competitively sensitive bid-related information that is proprietary and confidential, copies of these documents are being filed only with the Hearing Officer, under seal. A Motion for Protective Treatment with respect to these documents and an affidavit in support thereof will be filed within the next two business days. Accordingly, NSTAR Gas requests that the Department protect the documents from public disclosure, pursuant to the terms of the forthcoming Motion for Protective Treatment.

Information Request DTE-2-11

Refer to page 19 of Max Gowen's testimony. The Company states that its analysis indicates that both Option 1 (Dartmouth-Mendon) and Option 2 (Dartmouth –Waddington) will result in a lower cost alternative than Option 3 (DOMAC). However, it is unclear which option the Company has officially selected and is presenting to the Department for approval. Please identify which resource alternative the Company is seeking approval of.

Response

The Company is requesting approval of the Permanent Release Agreement, which will provide the Company with transportation *capacity* from Mendon to southern points on the NSTAR system. Option 1 and Option 2 both utilize the Dartmouth capacity, but offer different *gas supply* scenarios, meaning that the Company could purchase gas supply at the Mendon citygate or could transport gas supplies itself from Waddington to the Mendon citygate. Thus, Option 1 and 2 simply show that whether the Company decided to obtain supply by buying it at the Mendon citygate or transporting it to the Mendon citygate, it is still less expensive to procure the Dartmouth capacity than to enter into an arrangement with Distrigas.